

# INFORMATION ON THE CONTINUATION OF GROUP HEALTH INSURANCE COVERAGE FOR NEW EMPLOYEES AND DEPENDENTS UNDER THE PROVISIONS OF COBRA

## IMPORTANT NOTICE

### CONSOLIDATED OMNIBUS BUDGET RECONCILIATION ACT (COBRA) OF 1985

Dear Employee and Family Members:

The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 contains a provision pertaining to the continuation of health care benefits for persons enrolled for coverage through an employer group plan. COBRA requires that most employers sponsoring group health plans offer employees and their families who are losing coverage under the employer's plan the opportunity for a temporary extension of health coverage. This coverage, called continuation coverage, would be offered at group rates plus a small administrative fee, in certain instances where coverage under the plan would otherwise end.

This notice is intended to inform you of the rights and obligations under the continuation coverage provisions of the COBRA law should you ever lose the group health coverage provided through the New Jersey State Health Benefits Program (SHBP).

This notice includes:

- COBRA Highlights
- Special Notices Concerning COBRA
- Fact Sheet #30, *Continuation of New Jersey State Health Benefits Program Insurance Under COBRA*

**Please take the time to read this notice carefully.** Specific action must be taken by the employer, the employee, and covered family members to ensure the continuity of benefits under COBRA.

# **COBRA HIGHLIGHTS**

## **EMPLOYER REQUIREMENTS**

- Notify all newly hired employees and their dependents, within 90 days of when they are first enrolled in the SHBP, of the COBRA provisions by mailing a copy of the notification letter to their home.
- Notify the employee, spouse or eligible domestic partner, and/or dependents of their rights to purchase continued health coverage within 14 days of receiving notice that there has been a COBRA qualifying event. An application form and rate chart should be made available with the COBRA Notice that gives the date of termination of coverage and the period of time over which coverage may be extended. The notification must be mailed to the employee and family at the home address on file and a record of this notification should be maintained.

## **EMPLOYEE REQUIREMENTS**

- The employee must notify the employer of a COBRA qualifying event such as divorce, legal separation, termination of a domestic partnership, or dependent child ceasing to be eligible for coverage. This must be done within 60 days of the qualifying event.
- The employee or “qualified beneficiary” must notify the New Jersey State Health Benefits Program of their decision to elect continued coverage by filing a COBRA application and submitting required premiums within 60 days of employer notification.

## **SPECIAL NOTICES CONCERNING COBRA**

1. If coverage under the plan is modified for group employees, the coverage will also be modified in the same manner for all COBRA eligible individuals electing continuation coverage.
2. If a second qualifying event occurs during the 18-month period following the date of employee's termination or reduction in hours, the beneficiary of that second qualifying event will be entitled to 36 months of continuation coverage. The period, however, will be measured from the date of the first qualifying event. As an example, John Smith terminates employment and enrolls in COBRA with husband and wife coverage for an 18-month term. In the tenth month, he dies. Mrs. Smith is now eligible to continue her coverage for a total of 36 months from the first COBRA event leaving her 26 months of remaining eligibility.
3. COBRA continuation will terminate on the date that the enrollee first becomes covered under any other group health plan as an employee or dependent unless that plan has a pre-existing condition clause. COBRA coverage can be continued **for the pre-existing condition only** until the normal COBRA end date or when the pre-existing condition clause ends, whichever comes first.
4. If the health plan being continued offers a choice among types of coverage, employee, spouse/partner, and dependents are each entitled to make their own decision as to these choices.
5. If the employee or spouse/partner declines coverage, the spouse/partner and/or dependents may elect it for themselves.
6. COBRA subscribers are permitted to add dependents to their existing coverage within 60 days of their acquiring those dependents (i.e., marriage, entering an eligible domestic partnership, birth, adoption, guardianship).
7. COBRA enrollees have the same rights to coverage at Open Enrollment as are available to active employees. This means that you or a dependent who elected to enroll under COBRA are able to enroll in any SHBP health or dental plan and, if offered by your employer, SHBP prescription drug coverage during the SHBP Open Enrollment period regardless of whether you elected to enroll for the coverage when you first enrolled in COBRA. However, the addition of a benefit during the Open Enrollment does not extend the maximum COBRA coverage period. All COBRA enrollees receive Open Enrollment information mailed directly to the address on file with SHBP.
8. In order to protect you and your family's rights, you should keep your employer and the Division of Pensions and Benefits informed of any changes in your address and the address(es) of your family members.

# Continuation of New Jersey State Health Benefits Program Insurance Under COBRA

State Health Benefits Program

## WHAT IS COBRA?

The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 requires that most employers sponsoring group health plans offer employees and their eligible dependents — also known under COBRA as “qualified beneficiaries” — the opportunity to temporarily extend their group health coverage in certain instances where coverage under the plan would otherwise end. For State Health Benefits Program (SHBP) participants, COBRA is not a separate health program; it is a continuation of SHBP coverages under the provisions of the federal law.

## WHO IS ELIGIBLE FOR COBRA?

**Employees** enrolled in the SHBP may continue coverage under COBRA, in any plan that the employee is eligible for, if coverage ends because of a:

- Reduction in working hours;
- Leave of absence; or
- Termination of employment for reasons other than gross misconduct.

**Spouses or eligible domestic partners\* of employees** enrolled in the SHBP may continue coverage under COBRA, in any plan that the employee is eligible for, if coverage ends because of the:

- Death of the employee;
- End of the employee's coverage due to a reduction in working hours, leave of absence,

or termination of employment for reasons other than gross misconduct;

- Divorce or legal separation of the employee and spouse;
- Termination of the domestic partnership; or
- Election of Medicare as the employee's primary insurance carrier (requires dropping the group coverage carried as an active employee).

**Dependent children** of employees in the SHBP may continue coverage under COBRA, in any plan that the employee is eligible for, if coverage ends because of the:

- Loss of dependent child's eligibility through independence (moving out of the household), the attainment of age 23, marriage, or entering into a domestic partnership;
- Death of the employee;
- End of the employee's coverage due to a reduction in working hours, leave of absence, or termination of employment for reasons other than gross misconduct; or
- Election of Medicare as the employee's primary insurance carrier (requires dropping the group coverage carried as an active employee).

**Note:** Each “qualified beneficiary” may independently elect COBRA coverage to continue in any or all of the coverage you had as an active employee or dependent (health, prescription drug, dental, and/or

\*A domestic partner is defined for eligibility in the SHBP, by Chapter 246, P.L. 2003, the Domestic Partnership Act, as a person of the same sex with whom you have entered into a domestic partnership and received a *Certificate of Domestic Partnership* from the State of New Jersey (or a valid certification from another jurisdiction that recognizes same-sex domestic partners, civil unions, or similar same-sex relationships). In addition, for employees of a county, municipality, or local board of education, the employer must have adopted a resolution to provide domestic partner health benefits in order for a domestic partner to be eligible. The cost of domestic partner coverage may be subject to federal tax (see your employer or Fact Sheet #71, *Benefits Under the Domestic Partnership Act*, for more information).

vision). You and/or your dependents may change your health and/or dental plan when you enroll in COBRA. You may also elect to cover the same dependents you had as an active employee, or you can delete dependents to reduce your level of coverage. However, you cannot increase the level of your coverage, except during the annual Open Enrollment period, unless a qualifying event occurs (birth, adoption, marriage, eligible domestic partnership) and you notify the SHBP's COBRA Administrator within 60 days of the qualifying event.

### **HOW LONG WILL COBRA COVERAGE LAST?**

The length of your COBRA coverage continuation depends on the nature of the COBRA qualifying event that entitled you to the coverage.

- For loss of coverage due to termination of employment, reduction of hours, or leave of absence, the employee and/or dependents are entitled to 18 months of COBRA coverage. Time on leave of absence just before enrollment in COBRA, unless under the federal and/or State Family Leave Act, counts toward the 18-month period and will be subtracted from the 18 months. Time a member spends on federal or State leave will not count as part of the COBRA eligibility period.
- If you receive a Social Security Administration disability determination for an illness or injury you had when you enrolled in COBRA or incurred within 60 days of enrollment, you and your covered dependents are entitled to an extra 11 months of coverage up to a maximum of 29 months of COBRA coverage. You must provide proof within 60 days of the disability determination from the Social Security Administration or within 60 days of COBRA enrollment.
- For loss of coverage due to the death of the employee, divorce or legal separation, termination of a domestic partnership, other dependent ineligibility, or Medicare entitlement, the continuation term for dependents is 36 months.

### **HOW MUCH WILL I PAY FOR COVERAGE?**

You are responsible for paying the cost of your coverage under COBRA which is the full group rate plus a 2 percent administration fee. The SHBP will bill you on a monthly basis.

### **EMPLOYEE / QUALIFIED BENEFICIARY RESPONSIBILITIES UNDER COBRA**

The law requires that employees and/or their dependents:

- Keep your employer and the Division of Pensions and Benefits/SHBP informed of any changes to the address information of all possible "qualified beneficiaries."
- Notify your employer that a divorce, legal separation, termination of a same-sex domestic partnership, or the death of the employee has occurred or that a dependent child has married, entered into a domestic partnership, moved out of the household, or reached age 23 — notification must be given within 60 days of the date the event occurred (If you do not inform your employer of the change in dependent status within the 60 day requirement, you may forfeit your dependent's right to COBRA);
- File a *COBRA Application* within 60 days of the loss of coverage or the date of the *COBRA Notice* provided by your employer, whichever is later;
- Pay the required monthly premiums in a timely manner;
- Pay premiums, when billed, retroactive to the date of group coverage termination;
- Notify the SHBP's COBRA Administrator, in writing, of any second qualifying event that results in an extension of the maximum coverage period (see How Long Will COBRA Coverage Last? at left);
- Notify the SHBP's COBRA Administrator, in writing, of a Social Security Administration disability award within 60 days of receipt of the award, or within 60 days of COBRA enrollment (this will extend the maximum COBRA cover-

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age period from 18 months to 29 months — see How Long Will COBRA Coverage Last? on page 2); and

- Provide notice of any determination that a “qualified beneficiary” who had received a disability extension is no longer disabled. This notice must be sent to the SHBP’s COBRA Administrator within 30 days of determination by the Social Security Administration. Failure to provide timely notification may result in adjustments to any claims paid erroneously.

### **EMPLOYER RESPONSIBILITIES UNDER COBRA**

The COBRA law requires employers to:

- Notify employees and their dependents of the COBRA provisions within 90 days of when the employee and their dependents are first enrolled in the SHBP by mailing a notification letter to their home;
- Notify employees, their spouse or eligible same-sex domestic partner, and their children of the right to purchase continued coverage within 14 days of receiving notice that there has been a COBRA qualifying event that causes a loss of coverage;
- Send the *COBRA Notification Letter* and a *COBRA Application* within 14 days of receiving notice that a COBRA qualifying event has occurred. The notice outlines the right to purchase continued health coverage, gives the date coverage will end, and the period of time over which coverage may be extended;
- Notify the SHBP within *30 days* of the date of an employee/dependent’s qualifying event or loss of coverage. (An employee’s loss of coverage is reported by completing a *Transmittal of Deletions Sheet*. A dependent’s loss of coverage is reported through the SHBP’s receipt of a completed SHBP application terminating the dependent’s coverage.).
- Maintain records documenting their compliance with the COBRA law.

### **ENROLLING FOR COBRA COVERAGE**

**The employee and/or the dependent seeking coverage is responsible for submitting a properly completed SHBP *COBRA Application* to the Health Benefits Bureau of the Division of Pensions and Benefits. This application must be filed within 60 days of the loss of coverage or of the date of employer notification, whichever is later. Failure to submit the application within the time frame allowed by law is considered a decision not to enroll.**

- In considering whether to elect continuation of coverage under COBRA, you should take into account that you cannot enroll at a later date and that a failure to continue your group health coverage may affect your future rights under federal law (see Failure to Elect COBRA Coverage, below).
- If you are retiring, you may be eligible for lifetime health, prescription drug, and dental coverage through the Retired Group of the State Health Benefits Program. Consult your employer or the Division of Pensions and Benefits prior to enrolling for these benefits under COBRA.

### **FAILURE TO ELECT COBRA COVERAGE**

In considering whether to elect continuation of coverage under COBRA, a “qualified beneficiary” should take into account that a failure to continue group health coverage will affect future rights under federal law.

- First, you can lose the right to avoid having pre-existing condition exclusions applied to you by other group health plans if you have more than a 63-day gap in health coverage. The election of continuation of coverage under COBRA may help you to bridge such a gap (see information about pre-existing conditions under Termination of COBRA Coverage on page 4).
- Second, you will lose the guaranteed right to purchase individual health insurance policies that do not impose pre-existing condition exclusions if you do not continue coverage under COBRA for the maximum time available to you.



- Finally, you should take into account that you have special enrollment rights under federal law. You have the right to request special enrollment in another group health plan for which you are otherwise eligible (such as a plan sponsored by your spouse's employer) within 30 days of the date your group coverage ends. You will also have the same special enrollment right at the end of the COBRA coverage period provided the continuation of coverage under COBRA is for the maximum time available to you.

### **AFTER YOU HAVE ENROLLED IN COBRA**

You should be aware of the following information after you have enrolled in the SHBP under COBRA:

- Bills will be sent from the Division of Pensions and Benefits/State Health Benefits Program. Any billing questions must be referred to the:

**COBRA Administrator  
Division of Pensions and Benefits  
Health Benefits Bureau  
PO Box 299  
Trenton, NJ 08625-0299**

or you may call the Division's **Office of Client Services at (609) 292-7524**.

- You will be billed monthly. Accounts delinquent over 45 days will be closed and insurance coverage terminated. If you do not receive a monthly bill or misplace it, contact the Office of Client Services. **It is your responsibility to make payment on a timely basis.**
- Once you are enrolled in COBRA, claims are handled just like active employee claims (i.e. using the same claim forms and procedures). However, you must indicate your status as a COBRA participant on all claim forms (this will help prevent claim processing issues. All COBRA premiums must also be paid through the date of the claim in order for the claim to be processed). **Questions about claims should be directed to the insurance carriers.** The single exception is that vision plan claims are

sent directly to the COBRA Administrator at the address shown above.

- Plan administration under COBRA follows the same rules as for active employees. However, all activity is processed through the COBRA Administrator rather than the former employer. COBRA subscribers are permitted to change health and/or dental plans and/or add coverage during the annual Open Enrollment period (in the fall) through the COBRA Administrator. All COBRA enrollees will receive Open Enrollment information mailed directly to their address on file with the SHBP.
- All changes in coverage due to a "qualifying event" (for example: the birth of a child, a marriage, divorce, a death, etc.) must be made in writing to the COBRA Administrator at the address previously provided.

Upon receipt of your letter, you will be sent a COBRA change form. To increase coverage, you have 60 days from the date of the qualifying event to make the change. To change plans, because you have moved out of your plan's service area, you have 30 days to make the change. These changes must be requested within the specified time frames, otherwise they may only be made during the Open Enrollment period. You may decrease your coverage (delete a dependent) at any time.

### **TERMINATION OF COBRA COVERAGE**

Your COBRA benefits under the SHBP will terminate for any of the following reasons:

- Your employer (or former employer) no longer provides SHBP coverage to any of its employees. In this case, your employer will give you the opportunity to continue COBRA coverage through their new insurance plan for the balance of your COBRA continuation period;
- You become covered under another group plan as either an employee or dependent after you elect COBRA coverage (unless that plan has a pre-existing condition clause). If, after enrolling in COBRA you obtain new coverage which has

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a pre-existing condition clause, you may continue your COBRA enrollment at full cost for coverage of the condition excluded by the pre-existing condition clause. To be eligible for the continued COBRA coverage you will have to provide information about the pre-existing condition clause to the COBRA administrator and **only the pre-existing condition will be covered**. You will be allowed to continue your COBRA coverage to its normal end date or when the pre-existing condition clause ends, whichever comes first;

- You become eligible for Medicare after you elect COBRA coverage (affects health insurance coverage only, does not affect dental, prescription drug, or vision care coverage);
- Your fail to pay your premiums; or
- Your eligible coverage continuation period ends.

**CONVERSION OF COBRA COVERAGE**

The COBRA law provides that you must be allowed to enroll in an individual, non-group policy of the same health plan provided under the SHBP at the end of your COBRA enrollment period. You must complete your full coverage continuation period. Contact the health plan for details.

**Note:** There are no conversion provisions for prescription drug or dental coverage.

**MORE INFORMATION**

If you need additional information about COBRA, see your Human Resources Representative or Benefits Administrator, or contact the Division of Pensions and Benefits Office of Client Services at (609) 292-7524, or send us e-mail at:

*pensions.nj@treas.state.nj.us*

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**New Jersey Division of Pensions and Benefits • PO Box 295 • Trenton, New Jersey 08625-0295  
(609) 292-7524 • TDD for the hearing impaired (609) 292-7718**

**URL: <http://www.state.nj.us/treasury/pensions> • E-mail: [pensions.nj@treas.state.nj.us](mailto:pensions.nj@treas.state.nj.us)**

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